
Part III
Compliance Audit Paragraphs

Municipal Administration and Urban Development Department

1.1 Incorrect levy of Environment Impact Fee of ₹2.29 crore

Greater Hyderabad Municipal Corporation failed to comply with Government orders on levy of Environment Impact Fee, resulting in loss of revenue amounting to ₹2.29 crore to the Government.

In June 2015, the State Government issued orders¹⁷⁹ for the levy of Environment Impact Fee (EIF) on buildings with a built-up area of more than 10,000 square feet (*sft*), as per the plan approved by the competent authority, *i.e.*, Local Bodies. The fee was to be levied in lieu of seigniorage charges on building or construction material. It was to be collected at the rate of ₹3 per square feet while sanctioning building plans and was to be remitted into the Treasury¹⁸⁰. In February 2016, the State Government issued further orders¹⁸¹ clarifying that EIF is payable for the entire built-up area, including the area meant for parking and other allied services, which includes pathways.

During the test check (September 2019) of records in the office of the Zonal Commissioner, LB Nagar, Greater Hyderabad Municipal Corporation (GHMC), Audit noticed that there was a non-levy of EIF amounting to ₹0.45 crore in 133 cases and a short levy of EIF amounting to ₹0.17 crore in 156 cases. The non/short levy of EIF was mainly due to non-consideration of built-up area pertaining to parking and cellar while computing EIF.

Building Permission-sanctioned cases during the period from 2016-17 to 2021-22 in all the six zones¹⁸² of GHMC through the Development Permission Management System (DPMS) portal¹⁸³ were analysed. Audit observed that out of 6,175 new Building Permissions sanctioned during the period, 4,632 cases were regulated with built-up areas of more than 10,000 *sft* and Environment impact fee of ₹2.29 crore was not levied/short-levied in¹⁸⁴ 1,052 cases (22.71 per cent), as detailed in **Table-1.1**.

Table-1.1: Details of non-levy/short levy of EIF by GHMC during 2016-17 to 2021-22

Year	No. of building permissions issued	No. of cases checked	No. of buildings with built-up area above 10,000 <i>sft</i>	EIF non-levy		EIF short levy	
				No. of cases	Amount (₹)	No. of cases	Amount (₹)
2016-17	493	493	341	234	83,66,399	32	2,30,809
2017-18	1,217	1,217	969	136	47,53,335	131	16,66,786
2018-19	1,516	1,516	1176	47	15,64,732	192	14,87,680
2019-20	1,235	1,235	965	77	27,12,433	149	13,69,879
2020-21	1,316	1,316	905	6	2,00,170	38	3,76,852
2021-22	398	398	276	3	96,032	7	48,790
Total	6,175	6,175	4,632	503	1,76,93,101	549	51,80,796

Source: Information furnished by GHMC

¹⁷⁹ G.O.Ms. No. 34 of Industries and Commerce (Mines. I) Department dated 17 June 2015

¹⁸⁰ Head of Account 0853-Non-Ferrous Mining and Metallurgical Industry, 102-Mineral Concessions, fee, rent, royalties *etc.*, SH (03)-Royalty on Environment Impact fee

¹⁸¹ G.O.Ms.No.8 of Industries and Commerce (Mines. I) Department dated 24 February 2016

¹⁸² Charminar, Khairatabad, Kukatpally, LB Nagar, Secunderabad and Serilingampally

¹⁸³ Portal containing year-wise, zone-wise Building Permissions-sanctioned cases in PDF

¹⁸⁴ Non-levy: ₹1.77 crore (503 cases) and short levy: ₹0.52 crore (549 cases)

The Greater Hyderabad Municipal Corporation replied (February 2023) with reference to cases pertaining to Zonal Commissioner, LB Nagar, stating that as per Rule 19(c) of Telangana Building Rules 2012¹⁸⁵, no fee would be levied for parking spaces provided on any floor. However, it was mentioned that necessary amendment orders were not issued to the Building Rules 2012 consequent to the issuance of Government Orders in February 2016 on the levy of EIF on the entire built-up area, including the area meant for parking spaces.

The reply of GHMC was not acceptable as Audit noticed that out of 4,632 Building Permission-sanctioned cases which were regulated with a built-up area of more than 10,000 *sft*, EIF was correctly collected in 3,580 cases considering entire built-up area including parking area in accordance with Government Orders issued in February 2016. However, in 1,052 cases EIF was not collected correctly.

Thus, incorrect computation of EIF without considering the parking area was in violation of Government Orders and resulted in a loss of revenue of ₹2.29 crore to the Government.

Greater Hyderabad Municipal Corporation replied (June 2023) to the Special Secretary, MA & UD Department, Government of Telangana that the following corrective measures would be initiated to recoup the loss of revenue:

- a. Instructions are given to the respective Zones in GHMC to verify all the cases pointed out by Audit to find out short levy of EIF, if any, and in case of non/short levy, the same would be collected by issuing separate notices to the applicants/owners of the building.
- b. Zonal City Planners to monitor and to ensure remittance of EIF in all above cases.
- c. All the officers and staff need to have proper check on levy of EIF while computing the Building Permission charges.

Response of the State Government to the audit observation (May 2023) is awaited as of March 2024.

¹⁸⁵ G.O.MS.No.168, MA&UD (M) Department dated 07 April 2012

1.2 Short collection/remittance of Library Cess

Short collection/ remittance of Library Cess amounting to ₹324.96 crore by Urban Local Bodies in the State had resulted in non-compliance to the Telangana Public Libraries Act, 1960 provisions and legislative intention of funding the Zilla Grandhalaya Samsthas was not achieved.

Section 20(1) of the Telangana Public Libraries Act, 1960 (Act no. VIII of 1960)¹⁸⁶ mandates every Zilla Grandhalaya Samstha (ZGS) to levy in its area a Library Cess in the form of a surcharge on the property tax or house tax levied in such area under the relevant laws providing for the levy of such property tax or house tax, with the previous sanction of the Government so as not to exceed eight paise for every rupee collected. The Cess levied under sub-section 20 (2) shall be collected by the respective Municipal Corporation or Municipal Council or a Gram Panchayat or by any other local body having jurisdiction and authority to levy and collect property tax. According to Section 20(3) of the Act, the amount of Library Cess collected by these local bodies shall be paid to the ZGS.

The Director of Municipal Administration, Telangana issued instructions in June 2016 to all the Commissioners of the Municipal Corporations and Municipalities (ULBs) in the State that Library cess at the rate of eight *per cent* on the Property Tax would be collected. Out of the collected amount as Library cess, 15 *per cent* is to be retained in their Treasury Personal Deposit Account and the balance 85 *per cent* to be remitted to the ZGS Head of Account as Library Cess at the end of every month without fail, to provide Library services to the public.

During test check of records of three Municipal Corporations¹⁸⁷ between September 2021 and September 2022, Audit observed instances of non-remittance of Library Cess collections to ZGS to the extent of ₹6.37 crore by Municipal Corporations. Further, Audit collected remittance particulars of Library Cess in respect of all the ULBs of the State from the Commissioner, Greater Hyderabad Municipal Corporation and the Director of Municipal Administration for the period 2017-18 to 2021-22.

The status of Library Cess collections and remittances in all the ULBs of the State during the period 2017-18 to 2021-22 are given in **Table-1.2**. (Year-wise details are given in **Appendix-1.1 and 1.2**).

¹⁸⁶ Post-bifurcation of the State of Andhra Pradesh on 02 June 2014, The Andhra Pradesh Libraries Act, 1960 of the composite State of Andhra Pradesh was adapted by the State of Telangana as per Telangana Adaptation of Laws Order, 2016 notified by the Law Department in GO.Ms.No.45, Law (F) dated 01 June 2016

¹⁸⁷ (i) Khammam Municipal Corporation (₹2.55 crore), (ii) Peerzadiguda Municipal Corporation (₹1.56 crore) and (iii) Greater Warangal Municipal Corporation (₹2.26 crore)

Table-1.2: Status of Library Cess collections and remittances in the State during the period 2017-18 to 2021-22

(₹ in crore)

ULB	Property Tax collected	Library Cess collection			Library Cess remittance to ZGS on actual Library Cess collected			Library Cess remittance to ZGS on Library Cess short collected (85 per cent of column 5)	Total short collection/remittance (column 8 plus column 9)
		to be collected (8 per cent of column 2)	actually collected	short collection (column 3 minus column 4)	to be remitted (85 per cent of column 4)	actually remitted	short remittance (column 6 minus column 7)		
1	2	3	4	5	6	7	8	9	10
GHMC	4,349.38	347.94	321.51	26.43	273.29	20.12	253.17	22.47	275.64
Other 141 ULBs	2,298.68	183.89	183.89	0	156.30	106.98	49.32	0	49.32
Total	6,648.06	531.83	505.40	26.43	429.59	127.10	302.49	22.47	324.96

Source: Information furnished by the Commissioner, GHMC and the Commissioner and Director of Municipal Administration

Audit observed that in GHMC there was a short collection of Library Cess amounting to ₹26.43 crore (8 per cent) against ₹347.94 crore to be collected during the five-year period 2017-2022. Further, even from the collected Library Cess amount of ₹321.51 crore in GHMC, against the mandatory remittance of ₹273.29 crore (85 per cent), the remittance to ZGS was only ₹20.12 crore (7 per cent).

There was also short remittance of Library Cess of ₹49.32 crore (32 per cent) in respect of 141 ULBs against the mandated remittance of ₹156.30 crore. Total short remittance/collection of Library cess works out to ₹324.96 crore for the period 2017-22.

Thus, failure of the GHMC in the collection of Library Cess of ₹22.47 crore and short remittance of total Library Cess amount of ₹302.49 crore¹⁸⁸ by GHMC and other 141 ULBs resulted in non-compliance to the Act provisions by the ULBs. Hence, the legislative intent of funding the ZGS sufficiently for providing library services to the public was not fulfilled.

The State Government stated (August 2023) that instructions have been issued (May 2023) by the DMA to the 141 ULBs in the State (except GHMC) for immediate remittance of the pending due amount of Library Cess to the respective ZGS and to remit the Library Cess amount henceforth on regular basis to the ZGS concerned.

Further, the State Government stated (August 2023) that in GHMC, Library Cess was collected from the 14,09,501 properties assessed with Library Cess bifurcation as on 31 March 2022 and included in the Annual Demand. The properties assessed before 2009, which do not have Library Cess bifurcation are not included in the Annual Demand and hence Library Cess was not collected.

¹⁸⁸ GHMC: ₹253.17 crore and 141 ULBs: ₹49.32 crore

The number of properties assessed before 2009, which do not have Library Cess bifurcation were not furnished to Audit as of September 2023.

The State Government may ensure that mandatory levy and collection of Library Cess is done on all the assessed properties and timely remittance of the Library Cess to ZGS is done for providing effective library services to the public.

Hyderabad
The 25 FEB 2025


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The 27 FEB 2025


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